

CITY OF PLEASANT HILL
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS

June 30, 2006

CITY OF PLEASANT HILL

Table of Contents

OFFICIALS	2
INDEPENDENT AUDITOR'S REPORT	3-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-10
BASIC FINANCIAL STATEMENTS:	
	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Activities and Net Assets - Cash Basis	A 11
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 12
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	C 13
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D 14
Notes to Financial Statements	15-25
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds	26
Notes to Required Supplementary Information - Budgetary Reporting	27
OTHER SUPPLEMENTARY INFORMATION:	
	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1 28
Schedule of Indebtedness	2 29
Bond Maturities	3 30-31
Schedule of Receipts by Source and Disbursements by Function - All Governmental Fund Types	4 32
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	33-34
SCHEDULE OF FINDINGS	35-37

CITY OF PLEASANT HILL

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2006)		
Mark Langerud	Mayor	Dec 2005
Joe Rivas	Mayor pro tem	Dec 2007
Jason Dively	Council Member	Dec 2005
Martha Miller	Council Member	Dec 2005
Joe Rivas	Council Member	Dec 2007
Nicholas Sikes	Council Member	Dec 2007
Gay Wilson	Council Member	Dec 2007
Bob Fagen	City Manager	
Joni Haag	City Clerk	
Edwin Skinner	Attorney	Indefinite
(After January 2006)		
Phil Hildebrand	Mayor	Dec 2009
Joe Rivas	Mayor pro tem	Dec 2007
Jason Dively	Council Member	Dec 2009
Martha Miller	Council Member	Dec 2009
Joe Rivas	Council Member	Dec 2007
Nicholas Sikes	Council Member	Dec 2007
Gay Wilson	Council Member	Dec 2007
Bob Fagen	City Manager	
Joni Haag	City Clerk	
Edwin Skinner	Attorney	Indefinite



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Pleasant Hill, Iowa as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Pleasant Hill's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Pleasant Hill at June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated August 23, 2006 on our consideration of the City of Pleasant Hill's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 10 and 26 through 27 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pleasant Hill's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Martens & Company, CPA, LLP

West Des Moines, Iowa
August 23, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Pleasant Hill provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The City's governmental funds' receipts increased 64%, or approximately \$3,795,000, from fiscal year 2005 (FY05). Property tax increased approximately \$513,000 due to increased tax increment financing collections. Bond proceeds increased \$1,700,000.
- City program disbursements decreased 15%, or approximately \$1,460,000, from FY05. Public works, public safety, general government, and community and economic development expense increased approximately \$263,000, \$191,000, \$186,000 and \$441,000, respectively. Debt service and capital projects decreased \$508,000 and \$2,073,000, respectively.
- The City's total cash basis net assets at June 30, 2006 increased approximately 39% or approximately \$1,430,000 from June 30, 2005. Of this amount, the City's governmental activities cash basis net assets at June 30, 2006 increased approximately 74%, or approximately \$1,820,000, from June 30, 2005 and the assets of the business-type activities decreased approximately \$390,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Government-wide Financial Statements consists of a statement of activities and changes in cash balances. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other supplementary information provides detail information about the nonmajor governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts

receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer and solid waste systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. They focus on how money flows into and out of the funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund 4) the Capital Projects Fund and 5) the Permanent Fund. The government fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide statement of activities and changes in cash balance. The City maintains three Enterprise Funds to provide separate information for the water, and sewer funds, considered to be major funds of the City and the Solid Waste Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Government Activities

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago from \$2.45 million to \$4.27 million. The analysis that follows focuses on the changes in cash balances.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2006	2005
Receipts and transfers:		
Program receipts:		
Charges for service and sales	\$ 643	\$ 459
Operating grants, contributions and restricted interest	768	574
Capital grants, contributions and restricted interest	474	97
General receipts:		
Property tax	5,137	4,624
Hotel motel tax	45	-
Grants and contributions not restricted to specific purposes	-	11
Unrestricted investment earnings	45	20
Bond proceeds	1,700	-
Other general receipts	940	172
Transfers, net	615	148
Total receipts and transfers	<u>10,367</u>	<u>6,105</u>
Disbursements:		
Public safety	1,328	1,137
Public works	885	622
Health and social services	8	4
Culture and recreation	548	515
Community and economic development	629	188
General government	561	375
Debt service	1,536	2,044
Capital projects	<u>3,051</u>	<u>5,124</u>
Total disbursements	<u>8,546</u>	<u>10,009</u>
Increase (decreases) in cash basis net assets	1,821	(3,904)
Cash basis net assets beginning of year	<u>2,451</u>	<u>6,355</u>
Cash basis net assets end of year	<u>\$ 4,272</u>	<u>\$ 2,451</u>

The City's total receipts for governmental activities increased by 64 percent (\$3,795,000). The total cost of all programs and services decreased by approximately \$1,460,000 or 15.0 percent with no new programs added this year. Receipts increased due to the City issuing new bonds during the year ended June 30, 2006, increased TIF collections, increased fees collected, and proceeds from the Southeast Polk Community School District for their portion of land acquired jointly.

Based on increases in the total assessed valuation and expanded tax increment finance districts, property tax receipts are budgeted to increase by an additional \$164,288 next year.

The cost of all governmental activities this year was \$8.5 million compared to \$10.0 million last year. However, as shown in the statement of activities and net assets on page 11, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$6.661 million because some of the cost was paid by those directly benefitted from the programs (\$643,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,241,000). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, increased in 2006 from approximately \$1,130,000 to approximately \$1,885,000, principally due to an increase in capital grants, contributions and restricted interest. The City paid for the remaining public benefit portion of governmental activities with approximately \$5,137,000 in tax (some of which could only be used for certain programs) with cash reserves and with other receipts, such as interest and general entitlements.

Business Type Activities

Changes in Cash Basis Net Assets of Business-Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2006	2005
Receipts:		
Program receipts:		
Charges for service and sales:		
Water	\$ 340	\$ 737
Sewer	996	928
Solid waste	253	213
General receipts:		
Other general receipts	25	17
Total receipts	<u>1,614</u>	<u>1,895</u>
Disbursements:		
Water	312	524
Sewer	849	824
Solid waste	229	212
Transfers	615	148
Total disbursements and transfers	<u>2,005</u>	<u>1,708</u>
Increase (decrease) in cash balance	(391)	187
Cash basis of net assets beginning of year	<u>\$ 1,213</u>	<u>1,026</u>
Cash basis net assets end of year	<u>\$ 822</u>	<u>\$ 1,213</u>

Total business-type activities receipts for the fiscal year were \$1.614 million compared to \$1.895 million last year. This decrease was due primarily to the change in the water service being handled directly by Des Moines Water Works starting January 1, 2005 (See Note 5). The cash balance decreased by approximately \$391,000 from the prior year. Total disbursements for the fiscal year decreased by approximately 11 percent to a total of \$1.390 million due to decreased amounts paid to the Des Moines Water Works.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Pleasant Hill completed the year, its governmental funds reported a combined fund balance of \$4,001,000, an increase of more than \$1,852,000 above last year's total of \$2,149,000. The following are the major reasons for the changes in cash balances from the prior year for the City's major funds.

Governmental Funds

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$1,071,763, an increase of \$117,961 from the prior year. Most of this increase was due to increased receipts from franchise fees.
- The Urban Renewal Tax Increment Fund was established to account for major urban renewal projects within the City's TIF districts. At the end of the fiscal year, the cash balance was \$702,613, an increase of \$827,921 from the previous year. The increase was the result of increased TIF taxes collected and decreased costs in the current fiscal year. Any TIF debt will be paid off with incremental property taxes generated from the increased taxable valuation in the district.
- The Debt Service Fund cash balance increased by \$12,779 to \$26,655. This increase was due to decreased debt service payments. Bond principal and interest payments decreased by \$418,000.
- The Capital Projects Fund was established to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through Enterprise Funds. At the end of the fiscal year, the cash balance was \$1,925,645, an increase of approximately \$870,000 from the prior year. Unused bond proceeds received just before the end of the fiscal year accounts for most of the increase.

Individual Major Business Type Fund Analysis

The cash balance of the Sewer Fund decreased by \$18,518 to \$395,174 due primarily to increased sewer costs.

The cash balance of the Water Fund decreased by \$396,973 to \$370,624 due primarily to an increase in transfers to the capital projects fund.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget once. The amendment was approved on January 24, 2006 to provide for additional expenditures in certain City departments. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

At June 30, 2006, the City had approximately \$10,390,000 in bonds and other long-term debt compared to approximately \$9,887,000 last year as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2006	2005
General obligation bonds	\$ 10,390	\$ 9,865
Capital leases	-	22
Total	\$ 10,390	\$ 9,887

Debt increased as a result of the City issuing general obligation bonds for capital projects.

The City does not have a general obligation bond rating. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$10.39 million is below the City's \$31.94 million legal debt limit.

More detailed information about the City's long-term liabilities is presented in Notes 3, 4, 5 and 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2006 fiscal year budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's population growth since the 1990 census stands at approximately 37 percent. Unemployment in the greater Des Moines/West Des Moines area stands at 3.2 percent. This compares with the state unemployment rate of 3.6 percent.

The U.S. Consumer Price Index (CPI) is a measure of the changes in retail prices of a fixed market grouping of consumer goods and services. The consumer price index for all urban consumers (CPI-U) increased 0.3 percent in July, before seasonal adjustment, the Bureau of Labor Statistics of the U.S. Department of Labor reported. The July level of 203.5 (1982-84=100) was 4.1 percent higher than in July 2005. The Consumer Price index for Urban Wage Earners and Clerical Workers (CPI-W) also increased 0.3 percent in July, prior to seasonal adjustment. The July level of 199.2 (1982-84=100) was 4.3 percent higher than in July 2005.

These indicators were taken into account when adopting the budget for 2007. Amounts available for appropriation in the budget are \$12,750,172, an increase of five percent over the final 2006 budget. Increases in expenses of all functions except debt service lead this increase.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$721,878 by the close of fiscal year 2007.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joni Haag, City Clerk, Pleasant Hill, Iowa 50327.

Basic Financial Statements

CITY OF PLEASANT HILL

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2006

	Disbursements	Program Receipts			Net (Disbursements)Receipts and Changes in Cash Basis Net Assets		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Governmental activities:							
Public safety	\$1,327,785	\$ 493,929	\$ 66,739	\$ 41,000	\$ (726,117)	\$ -	\$ (726,117)
Public works	884,857	-	505,030	-	(379,827)	-	(379,827)
Health and social services	7,500	-	-	-	(7,500)	-	(7,500)
Culture and recreation	547,991	18,481	159,841	-	(369,669)	-	(369,669)
Community and economic development	629,212	124,161	14,465	-	(490,586)	-	(490,586)
General government	561,208	6,585	21,537	-	(533,086)	-	(533,086)
Debt service	1,536,385	-	-	-	(1,536,385)	-	(1,536,385)
Capital projects	3,050,600	-	-	432,742	(2,617,858)	-	(2,617,858)
Total governmental activities	<u>8,545,538</u>	<u>643,156</u>	<u>767,612</u>	<u>473,742</u>	<u>(6,661,028)</u>	<u>-</u>	<u>(6,661,028)</u>
Business-type activities:							
Water	311,470	340,374	-	-	-	28,904	28,904
Sewer	849,035	996,173	-	-	-	147,138	147,138
Solid waste	228,474	252,605	-	-	-	24,131	24,131
Total business-type activities	<u>1,388,979</u>	<u>1,589,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,173</u>	<u>200,173</u>
Total	<u>\$9,934,517</u>	<u>\$2,232,308</u>	<u>\$ 767,612</u>	<u>\$ 473,742</u>	<u>(6,661,028)</u>	<u>200,173</u>	<u>(6,460,855)</u>
General receipts:							
Property and other city tax levied for:							
General purposes					2,069,844	-	2,069,844
Tax increment financing					2,296,189	-	2,296,189
Debt service					771,428	-	771,428
Hotel motel tax					45,268	-	45,268
Unrestricted investment earnings					44,844	24,524	69,368
Bond proceeds					1,700,000	-	1,700,000
Miscellaneous					441,736	-	441,736
Sale of capital assets					497,224	-	497,224
Transfers					615,000	(615,000)	-
Total general receipts and transfers					<u>8,481,533</u>	<u>(590,476)</u>	<u>7,891,057</u>
Change in cash basis net assets					<u>1,820,505</u>	<u>(390,303)</u>	<u>1,430,202</u>
Cash basis net assets beginning of year					<u>2,451,053</u>	<u>1,212,645</u>	<u>3,663,698</u>
Cash basis net assets end of year					<u>\$ 4,271,558</u>	<u>\$ 822,342</u>	<u>\$ 5,093,900</u>
Cash Basis Net Assets							
Restricted:							
Streets					\$ 142,237	\$ -	\$ 142,237
Urban renewal purposes					702,613	-	702,613
Capital projects					1,925,645	-	1,925,645
Debt service					26,655	-	26,655
Other purposes					402,645	21,564	424,209
Unrestricted					<u>1,071,763</u>	<u>800,778</u>	<u>1,872,541</u>
Total cash basis net assets					<u>\$ 4,271,558</u>	<u>\$ 822,342</u>	<u>\$ 5,093,900</u>

See notes to financial statements.

CITY OF PLEASANT HILL

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2006

	Special Revenue		Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total
	General	Urban Renewal Tax Increment				
Receipts:						
Property tax	\$ 1,886,129	\$ -	\$ 771,428	\$ -	\$ 183,715	\$ 2,841,272
Tax increment financing collections	-	2,296,189	-	-	-	2,296,189
Other City tax	74,003	-	-	-	-	74,003
Licenses and permits	341,383	-	-	-	-	341,383
Uses of money and property	43,147	14,465	6,088	5,419	8,158	77,277
Intergovernmental	203,631	-	-	-	502,544	706,175
Charges for service	228,670	-	-	-	2,020	230,690
Special assessments	-	-	-	38,875	-	38,875
Miscellaneous	519,873	-	-	388,448	-	908,321
Total receipts	<u>3,296,836</u>	<u>2,310,654</u>	<u>777,516</u>	<u>432,742</u>	<u>696,437</u>	<u>7,514,185</u>
Disbursements:						
Operating:						
Public safety	1,064,523	-	-	-	185,356	1,249,879
Public works	254,020	-	-	-	487,310	741,330
Health and social services	7,500	-	-	-	-	7,500
Culture and recreation	547,991	-	-	-	-	547,991
Community and economic development	300,979	328,233	-	-	-	629,212
General government	519,819	-	-	-	-	519,819
Debt service	-	-	1,536,385	-	-	1,536,385
Capital projects	-	-	-	3,050,600	-	3,050,600
Total disbursements	<u>2,694,832</u>	<u>328,233</u>	<u>1,536,385</u>	<u>3,050,600</u>	<u>672,666</u>	<u>8,282,716</u>
Excess (deficiency) of receipts over (under) disbursements	<u>602,004</u>	<u>1,982,421</u>	<u>(758,869)</u>	<u>(2,617,858)</u>	<u>23,771</u>	<u>(768,531)</u>
Other financing sources (uses):						
Bond proceeds	-	-	-	1,700,000	-	1,700,000
Sale of capital assets	1,638	-	-	485,437	-	487,075
Operating transfers in	-	8,207	771,648	1,311,740	-	2,091,595
Operating transfers out	(485,681)	(1,162,707)	-	(9,164)	-	(1,657,552)
Total other financing sources (uses)	<u>(484,043)</u>	<u>(1,154,500)</u>	<u>771,648</u>	<u>3,488,013</u>	<u>-</u>	<u>2,621,118</u>
Net change in cash balances	117,961	827,921	12,779	870,155	23,771	1,852,587
Cash balances beginning of year	953,802	(125,308)	13,876	1,055,490	251,104	2,148,964
Cash balances end of year	<u>\$ 1,071,763</u>	<u>\$ 702,613</u>	<u>\$ 26,655</u>	<u>\$ 1,925,645</u>	<u>\$ 274,875</u>	<u>\$ 4,001,551</u>
Cash Basis Fund Balances						
Reserved:						
Debt service	\$ -	\$ -	\$ 26,655	\$ -	\$ -	\$ 26,655
Unreserved:						
General fund	1,071,763	-	-	-	-	1,071,763
Special revenue funds	-	702,613	-	-	228,382	930,995
Capital projects fund	-	-	-	1,925,645	-	1,925,645
Permanent fund	-	-	-	-	46,493	46,493
Total cash basis fund balances	<u>\$ 1,071,763</u>	<u>\$ 702,613</u>	<u>\$ 26,655</u>	<u>\$ 1,925,645</u>	<u>\$ 274,875</u>	<u>\$ 4,001,551</u>

See notes to financial statements.

CITY OF PLEASANT HILL

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds

As of and for the year ended June 30, 2006

Total governmental funds cash balances (page 12) \$ 4,001,551

***Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the equipment replacement. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

270,007

Cash basis net assets of governmental activities (page 11) \$ 4,271,558

Net change in cash balances (page 12) 1,852,587

***Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of equipment replacement to individual funds. The change on net assets of the Internal Service Fund is reported with governmental activities.

(32,082)

Change in cash balance of governmental activities (page 11) \$ 1,820,505

See notes to financial statements.

CITY OF PLEASANT HILL

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2006

	Enterprise Funds				Internal Service Fund
	Nonmajor Solid Waste			Total	Equipment Replacement
	Water	Sewer			
Operating receipts:					
Use of money and property	\$ 24,250	\$ -	\$ -	\$ 24,250	\$ -
Charges for service	316,080	983,820	249,846	1,549,746	-
Intergovernmental	-	-	-	-	41,000
Miscellaneous	44	12,353	2,759	15,156	-
Total operating receipts	<u>340,374</u>	<u>996,173</u>	<u>252,605</u>	<u>1,589,152</u>	<u>41,000</u>
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	77,906
Public works	-	-	-	-	143,527
General government	-	-	-	-	41,389
Business-type activities	<u>311,470</u>	<u>643,292</u>	<u>228,474</u>	<u>1,183,236</u>	-
Total operating disbursements	<u>311,470</u>	<u>643,292</u>	<u>228,474</u>	<u>1,183,236</u>	<u>262,822</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	28,904	352,881	24,131	405,916	(221,822)
Non-operating receipts (disbursements):					
Interest on investments	14,123	9,344	1,057	24,524	8,782
Debt service	-	(205,743)	-	(205,743)	-
Total non-operating receipts (disbursements)	<u>14,123</u>	<u>(196,399)</u>	<u>1,057</u>	<u>(181,219)</u>	<u>8,782</u>
Excess (deficiency) of receipts over (under) disbursements	43,027	156,482	25,188	224,697	(213,040)
Operating transfers in	-	-	-	-	180,958
Operating transfers out	<u>(440,000)</u>	<u>(175,000)</u>	<u>-</u>	<u>(615,000)</u>	<u>-</u>
Net change in cash balances	(396,973)	(18,518)	25,188	(390,303)	(32,082)
Cash balances beginning of year	<u>767,597</u>	<u>413,692</u>	<u>31,356</u>	<u>1,212,645</u>	<u>302,089</u>
Cash balances end of year	<u>\$ 370,624</u>	<u>\$ 395,174</u>	<u>\$ 56,544</u>	<u>\$ 822,342</u>	<u>\$ 270,007</u>
Cash Basis Fund Balances					
Reserved for meter deposits	\$ 21,564	\$ -	\$ -	\$ 21,564	\$ -
Unreserved	<u>349,060</u>	<u>395,174</u>	<u>56,544</u>	<u>800,778</u>	<u>270,007</u>
Total cash basis fund balances	<u>\$ 370,624</u>	<u>\$ 395,174</u>	<u>\$ 56,544</u>	<u>\$ 822,342</u>	<u>\$ 270,007</u>

See notes to financial statements.

CITY OF PLEASANT HILL

Notes to Financial Statements

June 30, 2006

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pleasant Hill is a political subdivision of the State of Iowa located in Polk County. It was incorporated in 1956 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Pleasant Hill has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Pleasant Hill has no component units which meet the Governmental Accounting Standards Board criteria.

Joint Venture

The City participates in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA). The WRA, a joint venture, was developed as the result of an agreement between the City of Des Moines and surrounding municipalities. (See Note 4)

Jointly Governed Organization

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions; Polk County Assessor's Conference Board, Polk County Emergency Management Commission, Polk County Joint E911 Service Board, Des Moines Area Metropolitan Planning Organization and Polk County Firefighters Association.

B. Basis of Presentation

Government-wide Financial Statements - The statement of activities and net assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of the interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF PLEASANT HILL

Notes to Financial Statements - Continued

June 30, 2006

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Continued

The statement of activities and net assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The statement of activities and net assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

CITY OF PLEASANT HILL

Notes to Financial Statements - Continued

June 30, 2006

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Continued

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis. This is composed of the equipment replacement fund. This proprietary fund is reported with governmental activities in the government wide statements.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants (I.A.) and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF PLEASANT HILL

Notes to Financial Statements - Continued

June 30, 2006

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursement did not exceed the amounts budgeted.

(2) CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2006, were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

June 30,	General Obligation Bonds/Notes	
	Principal	Interest
2007	\$ 1,185,000	\$ 379,358
2008	1,195,000	343,540
2009	1,225,000	300,965
2010	1,165,000	256,493
2011	1,335,000	214,145
2012	1,345,000	164,755
2013	1,400,000	114,710
2014	565,000	61,375
2015	230,000	38,655
2016	235,000	28,955
2017	160,000	18,890
2018	170,000	13,130
2019	180,000	6,840
	<u>\$10,390,000</u>	<u>\$1,941,811</u>

CITY OF PLEASANT HILL

Notes to Financial Statements - Continued

June 30, 2006

(3) BONDS AND NOTES PAYABLE - CONTINUED

Prior Years' Debt Defeasance

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2006, the amount of defeased debt outstanding but removed from the General Long-Term Debt amounted to \$1,475,000.

(4) JOINT VENTURE AND COMMITMENTS

The City is a participating community in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) joint venture. This joint venture provides primary and secondary treatment of sewer flows for the participating communities. The Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) was effective on July 1, 2004. This agreement amended and restated the previous Integrated Community Area (I.C.A.) Agreement to provide continued operation, improvements and expansion. The WRA Agreement establishes the WRA as a separate legal entity with its own Board, creates an independent governance structure, establishes an independent bonding authority for the WRA and provides a framework for additional communities to participate.

Annually, the WRA establishes an allocation to all participating communities based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and are adjusted prospectively for differences in budgeted flows and actual flows.

As part of the Agreement, the WRA issued debt to advance refund the sewer revenue refunding bonds Series 1997C and 2002D and the state revolving loans SRF2 and SRF3 of the City of Des Moines. In addition, state revolving loans SRF4, SRF6 and SRF7 were reassigned from the City of Des Moines to the WRA. The City of Pleasant Hill had previously entered into various financing agreements with the City of Des Moines to provide for the City of Pleasant Hill's share of capital contributions for the construction and ongoing expansion of the WRA. The issuance of the debt by the WRA to advance refund and reassign previously issued City of Des Moines debt removes the City of Pleasant Hill's previous liability to the City of Des Moines.

The City of Pleasant Hill retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the communities were a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2004A and 2004B include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

CITY OF PLEASANT HILL

Notes to Financial Statements - Continued

June 30, 2006

(4) JOINT VENTURE AND COMMITMENTS - CONTINUED

The WRA Agreement requires the debt service on the Series 2004A bonds to be allocated using the annual flow allocation to the participating communities based on the existing allocations of debt service under the prior I.C.A. agreement. The Series 2004A bonds had a balance of \$20,030,000 as of June 30, 2006. The City of Pleasant Hill has a commitment for approximately \$648,071, or 3.24%, for future principal payment requirements on that debt. The WRA Sewer Revenue Bonds Series 2004B bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2006, the Series 2004B bonds had a balance of \$66,830,000 and the City of Pleasant Hill's estimated future allocation based on the WRA flows is currently \$644,887, or 0.96%. The State Revolving Loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2006, the WRA had \$12,824,000 in outstanding State Revolving Loans, of which \$239,251 of future principal debt service is a commitment of the City of Pleasant Hill.

The WRA Agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation will be paid. Pursuant to the new agreement, the City's investment in the joint venture under the I.C.A. Agreement has been contributed to the new WRA organization. The City retains a reversionary interest percentage in the net assets of the WRA redeemable only in the event the WRA is dissolved. During the year ended June 30, 2006, the City paid the WRA \$412,380 for operations, maintenance, equipment replacements and debt service payments.

The WRA issues separate financial statements that may be obtained at 3000 Vandalia Road, Des Moines, Iowa 50317-1346.

(5) DES MOINES WATER WORKS REVENUE BONDS

The City entered into an agreement with the Des Moines Water Works to purchase capacity in the Des Moines Water Works water production and delivery systems. The City joined the Des Moines Water Works in the sale of water revenue bonds for this purpose. The water revenue bonds were issued May 15, 1997, and the City of Pleasant Hill's share of the debt issuance originally was \$1,920,000.

On January 1, 2005, the City entered into a total service Chapter 28E agreement with the Des Moines Water Works. Under the agreement, the Des Moines Water Works will provide total water service to consumers located in the City service territory and combined billing services to the City's other utility enterprises. The City maintains ownership of its water utility assets except for customer meters. The Des Moines Water Works will pay the City ten semiannual payments of \$50,000 each beginning June 1, 2005. Beginning January 1, 2005, the City's obligation to reimburse the Des Moines Water Works for debt service incurred under the 1996 purchased capacity agreement shall be recovered by the Des Moines Water Works revenue from the residents of the City through City water rates, until the original debt is satisfied in full on December 2017. The City's obligation for debt service payments shall resume and continue until satisfied should this agreement be terminated prior to December 2017.

CITY OF PLEASANT HILL

Notes to Financial Statements - Continued

June 30, 2006

(5) DES MOINES WATER WORKS REVENUE BONDS - CONTINUED

The City is contingently liable as of June 30, 2006, for \$1,465,000 in bond principal and \$523,176 in bond interest if the current agreement with Des Moines Water Works is terminated.

(6) LEASE PURCHASE AGREEMENTS

The City has entered into various lease purchase agreements to acquire vehicles. The agreements have interest rates of 4.81% per annum. There are no future minimum lease payments as the leases have been paid in full at June 30, 2006.

Payments under lease agreements for the year ended June 30, 2006 totaled \$23,528.

(7) DEVELOPMENT AGREEMENTS

- (a) The City entered into a development agreement dated July 25, 2000 to assist in an urban renewal project. The City agreed to make economic development tax increment payments to the developer for ten years. In exchange, the developer made certain infrastructure improvements within the City's urban renewal area.

The incremental taxes to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of ten years and the total amount that will be rebated under the development agreement is not to exceed \$1,428,025, plus interest at 5% per annum for the first two years.

The outstanding balance of this development agreement at June 30, 2006, was \$712,272. The obligation is partially considered a general obligation of the City for purposes of determining the City's debt limit.

- (b) The City entered into an agreement with Copper Creek Plaza Cinema, LLC to construct a theater. In recognition, the City agrees to make economic development tax increment payments to the developer for five fiscal years. Payments began December 1, 2001 and ended June 1, 2006. During the year ended June 30, 2006, \$106,268 in payments were made to the developer.
- (c) The City entered into an agreement with Pleasant Hill Centre LLC to construct a commercial project to be known as Pleasant Hill Centre. In recognition, the City agrees to make economic development tax increment payments to the developer for ten fiscal years, with total payments not to exceed \$1,394,480. Payments are to begin in the year in which incremental property tax revenues are first received by the City. During the year ended June 30, 2006, \$41,665 in payments were made to the developer.

CITY OF PLEASANT HILL

Notes to Financial Statements - Continued

June 30, 2006

(8) PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$115,208, \$109,015 and \$96,905, respectively, equal to the required contributions for each year.

(9) COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement, or death. Employees who have accrued 30 days of sick leave may elect, only once during the month of July, to sell back, at fifty percent value, any days in excess of 30 days payable during the month of December. Sick leave is not paid out upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2006, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 77,600
Sick leave	29,200
Compensatory time	<u>23,700</u>
Total	<u>\$ 130,500</u>

This liability has been computed based on rates or pay in effect at June 30, 2006.

(10) RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$55,220 during the year ended June 30, 2006.

CITY OF PLEASANT HILL

Notes to Financial Statements - Continued

June 30, 2006

(11) RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 531 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2006 were \$70,758.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

CITY OF PLEASANT HILL

Notes to Financial Statements - Continued

June 30, 2006

(11) RISK MANAGEMENT - CONTINUED

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all liability claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a liability claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workmen's compensation insurance. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) EDUCATION FACILITY REVENUE BONDS

On September 12, 2000, the City entered into a loan agreement and issued \$5,000,000 of Education Facility Revenue Bonds to provide funds to loan to Orchard Place - Child Guidance Center Project. The proceeds were to be used for the purpose of financing the costs of acquiring, improving, constructing, furnishing and equipping educational centers. The bonds and related interest are payable solely out of the net earnings of Orchard Place - Child Guidance Center and do not constitute liabilities of the City. Because the bonds are to be paid from other than City resources, the liability is not recorded on the Schedule of Indebtedness (Schedule 2).

(13) IOWA EVENTS CENTER

An agreement was entered into by the City and Polk County, Iowa to commit City funding for the financing of the construction of the Iowa Events Center Project in Des Moines. The City is to provide a grant of \$5,000 per year to be used by the County for the project. The grant is being advanced over 10 years with payments beginning the fiscal year ending June 30, 2004, subject to annual budget allocation and approval.

(14) INDUSTRIAL DEVELOPMENT REVENUE BONDS

On January 8, 2002, the City approved issuance of a total of \$5,000,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$5,000,000 is outstanding at June 30, 2006. The bonds and related interest are payable solely from the funds of the borrower (Blood Center of Central Iowa), and the bond principal and interest do not constitute liabilities of the City.

CITY OF PLEASANT HILL

Notes to Financial Statements - Continued

June 30, 2006

(15) CONSTRUCTION CONTRACTS

The City has entered into various construction contracts totaling approximately \$7,686,700. The unpaid contract balances as of June 30, 2006 totaled approximately \$3,414,100 which will be paid as work progresses.

(16) INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: TIF	Capital Projects	\$ 8,207
Debt Service	Special Revenue: TIF	\$ 771,648
Capital Projects	General	355,681
	Special Revenue: TIF	391,059
	Enterprise: Water	415,000
	Sewer	150,000
		<u>1,311,740</u>
Internal Service	General	130,000
	Capital Projects	958
	Enterprise: Water	25,000
	Sewer	25,000
		<u>180,958</u>
Total		<u><u>\$2,272,553</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

Required Supplementary Information

CITY OF PLEASANT HILL

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
					Original	Final	
Receipts:							
Property tax	\$ 2,841,272	\$ -	\$ -	\$ 2,841,272	\$1,987,512	\$1,987,512	\$ 853,760
Tax increment financing collections	2,296,189	-	-	2,296,189	2,098,690	2,098,690	197,499
Other City tax	74,003	-	-	74,003	897,755	897,755	(823,752)
Licenses and permits	341,383	-	-	341,383	234,220	334,220	7,163
Uses of money and property	77,277	57,556	8,782	126,051	28,000	28,000	98,051
Intergovernmental	706,175	41,000	41,000	706,175	3,986,857	4,311,857	(3,605,682)
Charges for service	230,690	1,549,746	-	1,780,436	1,605,004	1,623,004	157,432
Special assessments	38,875	-	-	38,875	527,220	527,220	(488,345)
Miscellaneous	908,321	15,156	-	923,477	281,600	1,292,600	(369,123)
Total receipts	<u>7,514,185</u>	<u>1,663,458</u>	<u>49,782</u>	<u>9,127,861</u>	<u>11,646,858</u>	<u>13,100,858</u>	<u>(3,972,997)</u>
Disbursements:							
Public safety	1,249,879	77,906	77,906	1,249,879	1,223,018	1,290,518	40,639
Public works	741,330	143,527	143,527	741,330	660,177	760,177	18,847
Health and social services	7,500	-	-	7,500	7,500	7,500	-
Culture and recreation	547,991	-	-	547,991	564,769	590,269	42,278
Community and economic development	629,212	-	-	629,212	641,669	741,669	112,457
General government	519,819	41,389	41,389	519,819	530,931	530,931	11,112
Debt service	1,536,385	-	-	1,536,385	1,806,373	1,806,373	269,988
Capital projects	3,050,600	-	-	3,050,600	5,522,392	8,331,005	5,280,405
Business-type activities	-	1,388,979	-	1,388,979	1,185,030	1,510,030	121,051
Total disbursements	<u>8,282,716</u>	<u>1,651,801</u>	<u>262,822</u>	<u>9,671,695</u>	<u>12,141,859</u>	<u>15,568,472</u>	<u>5,896,777</u>
Excess (deficiency) of receipts over (under) disbursements	(768,531)	11,657	(213,040)	(543,834)	(495,001)	(2,467,614)	1,923,780
Other financing sources (uses), net	<u>2,621,118</u>	<u>(434,042)</u>	<u>180,958</u>	<u>2,006,118</u>	<u>35,000</u>	<u>35,000</u>	<u>1,971,118</u>
Excess (deficiency) of receipts over (under) disbursements and other financing uses	1,852,587	(422,385)	(32,082)	1,462,284	(460,001)	(2,432,614)	3,894,898
Balances beginning of year	<u>2,148,964</u>	<u>1,514,734</u>	<u>302,089</u>	<u>3,361,609</u>	<u>2,749,678</u>	<u>3,663,663</u>	<u>(302,054)</u>
Balances end of year	<u>\$ 4,001,551</u>	<u>\$ 1,092,349</u>	<u>\$ 270,007</u>	<u>\$ 4,823,893</u>	<u>\$ 2,289,677</u>	<u>\$ 1,231,049</u>	<u>\$ 3,592,844</u>

See accompanying independent auditor's notes.

CITY OF PLEASANT HILL

Required Supplemental Information

Notes To Required Supplementary Information - Budgetary Reporting

June 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except internal service funds and fiduciary funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and non-program. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital project funds and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$3,426,613. This budget amendment is reflected in the final budgeted amounts.

Other Supplementary Information

CITY OF PLEASANT HILL

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2006

	Special Revenue						Permanent		
	Road Use Tax	Drug Enforcement Agency	Employee Benefit Tax	Avenue of Flags	Park and Recreation Complex	Library	Memorial	Cemetary Perpetual Care	Total
Receipts:									
Property tax	\$ -	\$ -	\$183,715	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 183,715
Use of money and property	2,485	676	1,641	47	1,248	581	29	1,451	8,158
Intergovernmental	502,544	-	-	-	-	-	-	-	502,544
Charges for services	-	-	-	-	-	-	-	2,020	2,020
Total receipts	505,029	676	185,356	47	1,248	581	29	3,471	696,437
Disbursements:									
Operating:									
Public safety	-	-	185,356	-	-	-	-	-	185,356
Public works	487,310	-	-	-	-	-	-	-	487,310
Total disbursements	487,310	-	185,356	-	-	-	-	-	672,666
Excess (deficiency) of receipts over (under) disbursements	17,719	676	-	47	1,248	581	29	3,471	23,771
Net change in cash balances	17,719	676	-	47	1,248	581	29	3,471	23,771
Cash balances beginning of year	124,518	21,601	-	2,028	38,044	20,755	1,136	43,022	251,104
Cash balances end of year	\$142,237	\$ 22,277	\$ -	\$ 2,075	\$ 39,292	\$ 21,336	\$ 1,165	\$ 46,493	\$ 274,875
Cash Basis Fund Balances									
Unreserved:									
Special revenue funds	\$142,237	\$ 22,277	\$ -	\$ 2,075	\$ 39,292	\$ 21,336	\$ 1,165	\$ -	\$ 228,382
Permanent fund	-	-	-	-	-	-	-	46,493	46,493
Total cash basis fund balances	\$142,237	\$ 22,277	\$ -	\$ 2,075	\$ 39,292	\$ 21,336	\$ 1,165	\$ 46,493	\$ 274,875

See accompanying independent auditor’s notes.

CITY OF PLEASANT HILL
Schedule of Indebtedness
Year ended June 30, 2006

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General Obligation Bonds:								
Corporate Purpose	Jul 1, 1998	4.65 - 4.80%	\$ 500,000	\$ 230,000	\$ -	\$ 55,000	\$ 175,000	\$ 10,787
Refunding Notes Series 1998	Nov 1, 1998	4.10 - 4.45%	2,355,000	1,700,000	-	235,000	1,465,000	72,022
Corporate Purpose	Aug 1, 1999	4.80 - 5.00%	335,000	185,000	-	35,000	150,000	9,000
Fire Equipment Notes	May 1, 2000	5.25 - 5.80%	870,000	700,000	-	50,000	650,000	38,732
Corporate Purpose	Aug 1, 2000	5.25 - 5.50%	400,000	265,000	-	40,000	225,000	14,153
Corporate Purpose	Jul 1, 2001	4.40 - 4.60%	370,000	215,000	-	55,000	160,000	9,560
Corporate Purpose and Refunding	Mar 1, 2003	2.25 - 3.60%	1,335,000	870,000	-	180,000	690,000	23,830
Urban Renewal Corporate Purpose	May 1, 2003	2.90 - 3.45%	4,655,000	3,785,000	-	415,000	3,370,000	118,118
Urban Renewal	April 15, 2004	2.75 - 3.80%	2,000,000	1,915,000	-	110,000	1,805,000	61,783
Urban Renewal Corporate Purpose	June 27, 2006	3.70 - 3.95%	1,700,000	-	1,700,000	-	1,700,000	-
				<u>\$ 9,865,000</u>	<u>\$ 1,700,000</u>	<u>\$ 1,175,000</u>	<u>\$10,390,000</u>	<u>\$ 357,985</u>
Lease Purchase Agreements								
Dump Truck	Oct 15, 2001	4.81%	\$ 53,663	\$ 11,224	\$ -	\$ 11,224	\$ -	\$ 540
Dump Truck	Oct 15, 2001	4.81%	53,663	11,224	-	11,224	-	540
				<u>\$ 22,448</u>	<u>\$ -</u>	<u>\$ 22,448</u>	<u>\$ -</u>	<u>\$ 1,080</u>

See accompanying independent auditor’s report.

CITY OF PLEASANT HILL

Bond Maturities

June 30, 2006

Year Ending June 30,	General Obligation Bonds													
	Corporate Purpose Notes Issued July 1, 1998		Refunding Notes Series 1998 Issued November 1, 1998		Corporate Purpose Notes Issued August 1, 1999		Fire Equipment Notes Issued May 1, 2000		Corporate Purpose and Refunding Bonds Series 2003 A Issued March 1, 2003		Urban Renewal Corporate Purpose Bonds Series 2003B Issued May 1, 2003		Corporate Purpose Notes Issued August 1, 2000	
	Interest		Interest		Interest		Interest		Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
2007	4.65%	\$ 55,000	4.10%	\$ 240,000	4.80%	\$ 35,000	5.25%	\$ 50,000	2.25%	\$ 170,000	2.900%	\$ 430,000	5.25%	\$ 40,000
2008	4.70	60,000	4.15	185,000	4.85	35,000	5.30	55,000	2.55	80,000	2.900	445,000	5.30	45,000
2009	4.80	60,000	4.20	190,000	4.90	40,000	5.35	55,000	2.85	80,000	2.950	460,000	5.35	45,000
2010	-	-	4.25	200,000	5.00	40,000	5.40	60,000	3.10	85,000	3.125	480,000	5.40	45,000
2011	-	-	4.30	205,000	-	-	5.50	60,000	3.30	90,000	3.250	495,000	5.50	50,000
2012	-	-	4.40	220,000	-	-	5.60	65,000	3.50	90,000	3.350	520,000	-	-
2013	-	-	4.45	225,000	-	-	5.65	70,000	3.60	95,000	3.450	540,000	-	-
2014	-	-	-	-	-	-	5.70	75,000	-	-	-	-	-	-
2015	-	-	-	-	-	-	5.75	80,000	-	-	-	-	-	-
2016	-	-	-	-	-	-	5.80	80,000	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total		\$ 175,000		\$1,465,000		\$ 150,000		\$ 650,000		\$ 690,000		\$ 3,370,000		\$ 225,000

See accompanying independent auditor's report.

CITY OF PLEASANT HILL

Bond Maturities - Continued

June 30, 2006

Year Ending June 30,	General Obligation Bonds						
	Corporate Purpose Notes Issued July 1, 2001		Urban Renewal Municipal Building Bond Issued April 15, 2004		Urban Renewal Corporate Purpose Issued June 27, 2006		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2007	4.40%	\$ 55,000	2.75%	\$ 110,000	- %	\$ -	\$1,185,000
2008	4.50	55,000	2.80	115,000	3.70	120,000	1,195,000
2009	4.60	50,000	2.85	115,000	3.75	130,000	1,225,000
2010	-	-	2.90	120,000	3.75	135,000	1,165,000
2011	-	-	2.95	125,000	3.80	310,000	1,335,000
2012	-	-	2.95	130,000	3.85	320,000	1,345,000
2013	-	-	3.15	135,000	3.90	335,000	1,400,000
2014	-	-	3.30	140,000	3.95	350,000	565,000
2015	-	-	3.40	150,000	-	-	230,000
2016	-	-	3.50	155,000	-	-	235,000
2017	-	-	3.60	160,000	-	-	160,000
2018	-	-	3.70	170,000	-	-	170,000
2019	-	-	3.80	180,000	-	-	180,000
Total		<u>\$ 160,000</u>		<u>\$1,805,000</u>		<u>\$1,700,000</u>	<u>\$10,390,000</u>

See accompanying independent auditor's report.

CITY OF PLEASANT HILL

Schedule of Receipts by Source and Disbursements by Function -
All Governmental Fund Types

For the Last Four Years

	2006	2005	2004	2003
Receipts:				
Property	\$ 2,841,272	\$ 2,778,147	\$ 2,668,482	\$ 2,159,251
Tax increment financing collections	2,296,189	1,845,602	1,294,555	956,186
Other city tax	74,003	29,482	13,165	27,825
Licenses and permits	341,383	235,625	189,212	180,061
Use of money and property	77,277	65,189	58,062	29,968
Intergovernmental	706,175	618,100	666,313	1,294,725
Charges for services	230,690	161,467	157,267	124,439
Special assessments	38,875	19,288	72,577	179
Miscellaneous	908,321	201,290	1,081,837	135,462
Total	<u>\$ 7,514,185</u>	<u>\$ 5,954,190</u>	<u>\$ 6,201,470</u>	<u>\$ 4,908,096</u>
Disbursements:				
Operating:				
Public safety	\$ 1,249,879	\$ 1,137,652	\$ 1,036,255	\$ 980,569
Public works	741,330	622,069	567,577	502,021
Health and social services	7,500	3,613	5,654	5,914
Culture and recreation	547,991	515,139	503,001	502,888
Community and economic development	629,212	187,838	1,015,949	294,959
General government	519,819	374,468	347,348	249,869
Debt service	1,536,385	2,043,696	1,347,848	1,983,270
Capital projects	3,050,600	5,124,447	2,835,298	1,699,395
Total	<u>\$ 8,282,716</u>	<u>\$10,008,922</u>	<u>\$ 7,658,930</u>	<u>\$ 6,218,885</u>

See accompanying independent auditor's report.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Pleasant Hill, Iowa as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated August 23, 2006. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Pleasant Hill's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Pleasant Hill's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the accompanying Schedule of Findings, we believe item II-A-06 is a material weakness. The prior year's reportable conditions have been resolved except for items II-A-06.

Compliance

As part of obtaining reasonable assurance about whether the City of Pleasant Hill's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed

no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Pleasant Hill and other parties to whom the City of Pleasant Hill may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Pleasant Hill during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa
August 23, 2006

CITY OF PLEASANT HILL

Schedule of Findings

Year ended June 30, 2006

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF PLEASANT HILL

Schedule of Findings

Year ended June 30, 2006

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITION:

II-A-06 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should continue to monitor its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will monitor the procedures as suggested.

Conclusion - Response accepted.

CITY OF PLEASANT HILL

Schedule of Findings

Year ended June 30, 2006

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-06 Certified Budget - Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted.
- III-B-06 Questionable Disbursements - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- III-C-06 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-06 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Joel Huggins, Police Officer, Owner of A.D.A. Mowing	Turf Mowing	\$ 55,220

These transactions do not appear to represent a conflict of interest since they were entered into through competitive bidding.

- III-E-06 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.
- III-F-06 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-H-06 Revenue Notes - The City has complied with the urban renewal tax increment financing refunding bond requirements for the year ended June 30, 2006.